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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

Arizona Corporation Commission

DOCKETED

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In the matter of:

RONALD HORN, an unmarried man,

DANIEL RONDBERG, and JENNIFER
RONDBERG, husband and wife,

RANDY RONDBERG, and KATHERINE
RONDBERG, husband and wife,

JASON WALTER, and SAMANTHA
WALTER, husband and wife,

JOHN WALTER, and JANIS WALTER,
husband and wife, and

TRAGER, L.L.C., an Arizona limited
liability company.

Respondents.

DOCKET NO. S-21038A-18-0022

DECISION NO. 77396

**ORDER TO CEASE AND DESIST, ORDER
FOR DISGORGEMENT, ORDER FOR
ADMINISTRATIVE PENALTIES, ORDER
FOR WITHDRAWAL AND CONSENT TO
SAME
BY: RESPONDENTS DANIEL RONDBERG
AND JENNIFER RONDBERG**

Respondents Daniel Rondberg and Jennifer Rondberg ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and Articles 7 and 8 of the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("Investment Management Act") with respect to this Order to Cease and Desist, Order for Disgorgement, Order for Administrative Penalties, Order for Withdrawal and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission solely for the purpose of settling this proceeding.

I.**FINDINGS OF FACT**

1. Since at least February 18, 2015, Daniel Rondberg ("Rondberg") has been a married man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. Respondent Rondberg has been licensed as an Arizona insurance producer since at least February 18, 2015.

2. Jennifer Rondberg ("Respondent Spouse") has been the spouse of Respondent Rondberg since at least February 18, 2015. Respondent Spouse is joined in this action under A.R.S. §44-2031(C). At all relevant times, Respondent Rondberg was acting for his own benefit and on behalf of and for the benefit of the marital community.

3. Respondent Rondberg sold securities issued by Woodbridge Mortgage Investment Fund 1, LLC ("Fund 1"), Woodbridge Mortgage Investment Fund 2, LLC ("Fund 2"), Woodbridge Mortgage Investment Fund 3, LLC ("Fund 3"), and/or Woodbridge Mortgage Investment Fund 3A, LLC (collectively, "the Woodbridge Funds").

4. The Woodbridge Funds were commercial lenders that made hard-money loans secured by commercial property. The Woodbridge Funds raised money from investors to help fund the hard-money loans. The Woodbridge Funds referred to these investments as First Position Commercial Mortgages ("FPCMs").

5. From approximately February 18, 2015, to approximately October 4, 2016, Respondent Rondberg sold approximately 117 FPCMs to primarily Arizona investors, raising approximately \$6,867,364 for the Woodbridge Funds. Respondent Rondberg received sales commissions for his FPCM sales totaling approximately \$111,290.79.

6. An FPCM consisted of a promissory note from a Woodbridge Fund, a loan agreement, and a non-exclusive assignment of the Woodbridge Fund's security interest in the mortgage for the underlying hard-money loan. The Woodbridge Funds pooled money from multiple investors for each hard-money loan. If a Woodbridge Fund defaulted on its promissory note to an investor, the FPCM

1 assignment documents required it to pay to the investor any payments the Woodbridge Fund received
2 from the underlying hard-money borrower.

3 7. The FPCMs were securities in the form of notes, investment contracts, and real
4 property investment contracts.

5 8. On May 4, 2015, a Consent Order (the "Massachusetts Order") was entered by the
6 Massachusetts Securities Division against Fund 1, Fund 2, and Fund 3. Fund 1, Fund 2, and Fund 3
7 had submitted an Offer of Settlement to the Massachusetts Securities Division on April 29, 2015, to
8 resolve its investigation into whether their sales of unregistered FPCMs to Massachusetts residents
9 violated the Massachusetts Uniform Securities Act, Mass. Gen Laws ch. 110A. Fund 1, Fund 2, and
10 Fund 3 admitted the Statement of Facts set forth in Section VI of the Massachusetts Order, neither
11 admitted nor denied the Violations of Law set forth in Section VII of the Massachusetts Order, "and
12 consent[ed] solely for the purpose of these proceedings to the entry of this Order by the Division,
13 consistent with the language and terms of the Offer, settling the claims brought hereby with
14 prejudice."

15 9. Fund 1, Fund 2, and Fund 3 settled the Massachusetts investigation before any
16 proceeding was filed against them by consenting, in the Massachusetts Order, to findings that they
17 sold unregistered securities. The Massachusetts Order also required them to offer rescission to
18 Massachusetts investors and pay a civil penalty of \$250,000.

19 10. The Massachusetts Order did not find that Fund 1, Fund 2, and Fund 3 had violated
20 any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct.

21 11. On July 17, 2015, the Texas Securities Board issued an emergency cease and desist
22 order (the "First Texas Order") against Fund 3, Robert H. Shapiro ("Shapiro"), as the person
23 controlling Fund 3, and others who promoted and sold FPCMs in Texas.

24 12. The First Texas Order alleged, among other things, that Fund 3 and Shapiro had
25 offered and sold unregistered securities without being registered to sell them and were engaged in
26 fraud in connection with the offer for sale of securities.

1 13. On March 18, 2016, the Texas Securities Board issued an order that set aside the First
2 Texas Order. This order, to which Fund 3 and Shapiro consented, was titled: "Agreed Order Setting
3 Aside Order No. ENF-15-CDO-1740" (the "Texas Agreed Order").

4 14. The Texas Agreed Order contained Conclusions of Law that the FPCMs were
5 securities and that Fund 3 and Shapiro offered them at a time when the securities were not registered
6 with the Texas Securities Commissioner.

7 15. The Texas Agreed Order did not find that Fund 3 or Shapiro had violated any laws or
8 regulations that prohibit fraudulent, manipulative, or deceptive conduct.

9 16. Respondent Rondberg omitted to inform at least one of his Arizona FPCM investors
10 before they invested of the Massachusetts Order, the First Texas Order, and/or the Texas Agreed
11 Order.

12 17. FPCMs involved risks that are typically associated with real estate investments. An
13 investor might need to sue the Woodbridge Fund or the third party hard-money borrower to recover
14 the investment. The value of the real estate collateral for the hard-money loan might be too low due
15 to depreciation or the Woodbridge Funds' failure to properly value it. If the real estate does not
16 adequately collateralize the loan, the Woodbridge Funds may fail to maintain enough liquid cash
17 reserve to continue making payments to the investor. And the investor's security interest in the real
18 estate collateral could be invalidated by the Woodbridge Funds' failure to properly perfect the
19 security interest (collectively "Risks").

20 18. Respondent Rondberg omitted to inform at least one of his Arizona FPCM investors
21 before they invested about the Risks of investing in the FPCMs.

22 19. On October 4, 2016, the Commission issued an order against the Woodbridge Funds,
23 WMF Management, LLC, Woodbridge Group of Companies, LLC, Shapiro, Robert W. Carfagno,
24 Sr. and his spouse, AIO Financial LLC, and William M. Holliday and his spouse.

25 20. The order was titled "Temporary Order to Cease and Desist and Notice of Opportunity
26 for Hearing" (the "Temporary Order").

21. The Temporary Order alleged a number of securities violations by the respondents and ordered the respondents to cease and desist from committing any violations of the Securities Act.

22. On December 4, 2017, the Woodbridge Funds and numerous affiliated entities filed for protection under the U.S. Bankruptcy Code, Chapter 11.

23. On December 8, 2017, Rondberg applied with the Commission for licensure as an investment advisor representative, and that application is currently pending.

24. On November 27, 2018, the Commission issued an Order, which respondents the Woodbridge Funds, WMF Management, LLC, and Woodbridge Group of Companies, LLC consented to, finding that they violated registration and anti-fraud provisions of the Securities Act. The order included an administrative penalty of \$150,000 against these respondents, jointly and severally.

25. Also on November 27, 2018, the Arizona Corporation Commission issued an Order which Shapiro consented to, finding that he violated anti-fraud provisions of the Securities Act. The order included an administrative penalty of \$150,000 against Shapiro.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act and the Investment Management Act.

2. Respondent Rondberg offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondent Rondberg violated A.R.S. § 44-1841.

4. Respondent Rondberg violated A.R.S. § 44-1842.

5. Respondent Rondberg violated A.R.S. § 44-1991(A)(2).

6. Respondent Rondberg's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondent Rondberg's conduct is grounds for an order to take appropriate affirmative action to correct the conditions resulting from his conduct pursuant to A.R.S. § 44-2032.

8. Respondent Rondberg's conduct is grounds for administrative penalties pursuant to A.R.S. § 44-2036.

9. Respondent Rondberg acted for his own benefit and on behalf of and for the benefit of the marital community and this Order is a debt of the community.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Rondberg, and any of his agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Rondberg, as his sole and separate obligation, and Respondent Rondberg and Respondent Spouse, as a community obligation, shall pay disgorgement to the Commission in the amount of \$111,290.79 to correct the conditions resulting from the conduct set forth in the Findings of Fact and Conclusions of Law. Payment shall be made to the "State of Arizona."

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondent Rondberg, as his sole and separate obligation, and Respondent Rondberg and Respondent Spouse, as a community obligation, shall pay an administrative penalty in the amount of \$16,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment shall be made to the "State of Arizona."

1 IT IS FURTHER ORDERED that \$55,343.82 of the disgorgement obligation is due in full
2 on the date of this Order.

3 IT IS FURTHER ORDERED that the balance of the disgorgement obligation and the penalty
4 obligation shall be due and payable in twelve equal monthly installments beginning on the first day
5 of the month following the date of this Order and continuing on the first day of each month thereafter.

6 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If
7 Respondents do not comply with this Order, any outstanding balance may be deemed in default and
8 shall be immediately due and payable.

9 IT IS FURTHER ORDERED that in the event of default, any amount outstanding of the
10 disgorgement obligation and/or penalty obligation shall be immediately due and payable and shall
11 accrue interest, retroactive to the date of this Order, at the rate of the lesser of (i) ten percent per
12 annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the
13 board of governors of the federal reserve system in statistical release H. 15 or any publication that
14 may supersede it on the date that the judgment is entered.

15 IT IS FURTHER ORDERED, that Respondent Rondberg's December 8, 2017, application
16 with the Commission for licensure as an investment advisor representative is withdrawn.

17 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
18 Commission may bring further legal proceedings against Respondents, including application to the
19 superior court for an order of contempt.

20 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
21 Order shall be deemed binding against any Respondent under this Docket Number who has not
22 consented to the entry of this Order.

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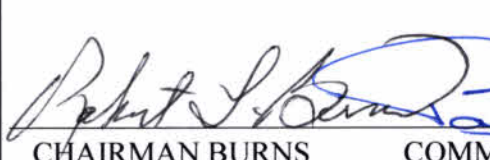


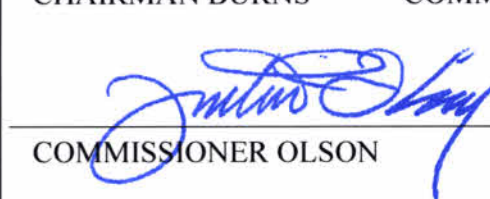
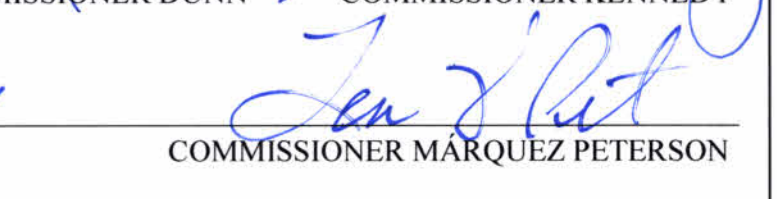
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1 IT IS FURTHER ORDERED that this Order shall become effective immediately.

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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6 CHAIRMAN BURNS COMMISSIONER DUNN COMMISSIONER KENNEDY
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9 COMMISSIONER OLSON COMMISSIONER MARQUEZ PETERSON



10 IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
11 Executive Director of the Arizona Corporation Commission,
12 have hereunto set my hand and caused the official seal of the
13 Commission to be affixed at the Capitol, in the City of Phoenix,
14 this 11th day of September, 2019.

15 
16 MATTHEW J. NEUBERT
17 EXECUTIVE DIRECTOR

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DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,
voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(PSK)

CONSENT TO ENTRY OF ORDER

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2 1. Respondents admit the jurisdiction of the Commission over the subject matter of this
3 proceeding. Respondents acknowledge that Respondents have been fully advised of Respondents'
4 right to a hearing to present evidence and call witnesses, and Respondents knowingly and voluntarily
5 waive any and all rights to a hearing before the Commission and all other rights otherwise available
6 under Article 11 of the Securities Act, Article 7 of the Investment Management Act, and Title 14 of
7 the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist,
8 Order for Disgorgement, Order for Administrative Penalties, Order for Withdrawal and Consent to
9 Same ("Order") constitutes a valid final order of the Commission.

10 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
11 Securities Act and Article 8 of the Investment Management Act to judicial review by any court by
12 way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

13 3. Respondents acknowledge and agree that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Respondent Rondberg and Respondent Spouse have been represented by an attorney
16 in this matter, they have reviewed this order with their attorney, Paul Roshka of Polsinelli PC, and
17 they understand all terms it contains. Respondent Rondberg and Respondent Spouse acknowledge
18 that their attorney has apprised them of their rights regarding any conflicts of interest arising from
19 dual representation. Respondent Rondberg and Respondent Spouse acknowledge that they have each
20 given their informed consent to such representation.

21 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
22 contained in this Order and consent to the entry of this Order by the Commission solely for the
23 purpose of settling this proceeding. Respondents agree that they shall not contest the validity of the
24 Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding
25 in which the Commission is a party.
26

1 6. Respondents further agree that they shall not deny or contest the Findings of Fact and
2 Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or
3 (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").
4 They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law
5 contained in this Order may be taken as true and correct and this Order shall collaterally estop them
6 from re-litigating the accuracy of the Findings of Fact and Conclusions of Law contained in this
7 Order. In the event Respondent Rondberg and/or Respondent Spouse pursues bankruptcy protection
8 in the future, they further agree that in such bankruptcy proceeding, pursuant to 11 U.S.C. §
9 523(a)(19), the following circumstances exist:

10 A. The obligations incurred as a result of this Order are a result of the conduct set forth
11 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
12 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

13 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
14 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
15 Respondent Rondberg and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court
16 order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee,
17 cost or other payment owed by Respondent Rondberg and Respondent Spouse pursuant to 11 U.S.C.
18 § 523(a)(19)(B)(iii).

19 7. By consenting to the entry of this Order, Respondents agree not to take any action or
20 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
21 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
22 basis.

23 8. While this Order settles this administrative matter between Respondents and the
24 Commission, Respondents understand that this Order does not preclude the Commission from
25 instituting other administrative or civil proceedings based on violations that are not addressed by this
26 Order.

1 9. Respondents understand that this Order does not preclude the Commission from
2 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
3 that may be related to the matters addressed by this Order.

4 10. Respondents understand that this Order does not preclude any other agency or officer
5 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
6 proceedings that may be related to matters addressed by this Order.

7 11. Respondent Rondberg agrees to the withdrawal of his December 8, 2017, application
8 with the Commission for licensure as an investment advisor representative.

9 12. Respondent Rondberg agrees that he will not apply to the state of Arizona for
10 registration as a securities dealer or salesman or for licensure as an investment adviser or investment
11 adviser representative until such time as all disgorgement and penalties under this Order are paid in
12 full.

13 13. Respondent Rondberg agrees that he will not exercise any control over any entity that
14 offers or sells securities or provides investment advisory services within or from Arizona until such
15 time as all disgorgement and penalties under this Order are paid in full.

16 14. Respondent Rondberg and Respondent Spouse acknowledge that any disgorgement
17 or penalty obligations imposed by this Order are community obligations.

18 15. Respondents consent to the entry of this Order and agree to be fully bound by its terms
19 and conditions.

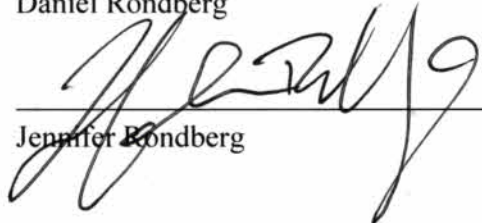
20 16. Respondents acknowledge and understand that if Respondents fail to comply with the
21 provisions of the Order and this consent, the Commission may bring further legal proceedings against
22 Respondents, including application to the superior court for an order of contempt.

23 17. Respondents understand that default shall render Respondents liable to the
24 Commission for its costs of collection, including reasonable attorneys' fees and interest at the
25 maximum legal rate.
26

18. Respondents agree and understand that if Respondents fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.



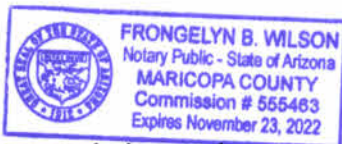
Daniel Rondberg



Jennifer Rondberg

STATE OF ARIZONA)
) ss
County of Maricopa)

SUBSCRIBED AND SWORN TO BEFORE me this 7 day of August, 2019.




NOTARY PUBLIC

My commission expires:

November 23, 2022

SERVICE LIST FOR: In re: RONALD HORN et al., DOCKET NO. S-21038A-18-0022

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Consented to Service by Email